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The Components Of A Quality Business Case

Don't Let Your Business Cases Tell Only Part Of The Story

This is the first document in the "Business Cases — What CIOs Need To Know" series.

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EXECUTIVE SUMMARY

Business cases are following their own "maturity model" as they move from filling the need for obtaining funds for a standalone initiative to being a driver for project planning, serving as the tool for prioritization of competing investments, and becoming an enabler of long-term project benefits realization. As the sophistication of the business case increases, the content must keep up. Business cases now must speak to alignment, benefits realization and risk, as well as mere project economics.

WHAT MAKES UP A QUALITY BUSINESS CASE?

The review, approval, and prioritizing of investments is fundamental to IT's business value. But too often, decisions on IT investments are based on politics, the "loudest voices," or on narrowly focused financial analyses. A quality business case has the potential to rise above these situations — but only if it is complete, clear, and relevant to the key decision-makers. The outcome of a strong business case process is strengthened executive understanding of the benefits, costs, and risks of the investment — and ownership of the results. The trick is to have a good grasp of what needs to go into a business case — and to structure the content around an informative and consistent template.¹

CONNECT THE PURPOSE OF THE BUSINESS CASE TO ITS CONTENT

Clarity around what you have set out to achieve with the business case drives the content that the business case needs to do its job. A thorough business case shows that:

- **The initiative contained in the business case will deliver a return.** The investment worthiness of the project is clear, transparent, and credible. The business outcomes of the initiative are identified and quantified.
- **The firm has the capability to deliver on the benefits.** Stakeholders have signed up. The delivery of the outcomes and benefits can be traced and measured. Management has the means to objectively measure the achievement of the benefits prescribed in the business case. Both business and IT management agree on the feasibility of the projects necessary to deliver the benefits.
- **The firm's resources are assigned to the highest-value opportunities.** A standardized business case process and template enables the comparison of multiple proposed investments, which is at the heart of project portfolio management.

- **The project will be properly managed.** “Living” business cases tightly connect to project plans, project finance, quality assurance, change management, and alignment. Executive dashboard project reporting has a one-to-one relationship with its business case content.

THE CONTENTS OF A SUCCESSFUL BUSINESS CASE

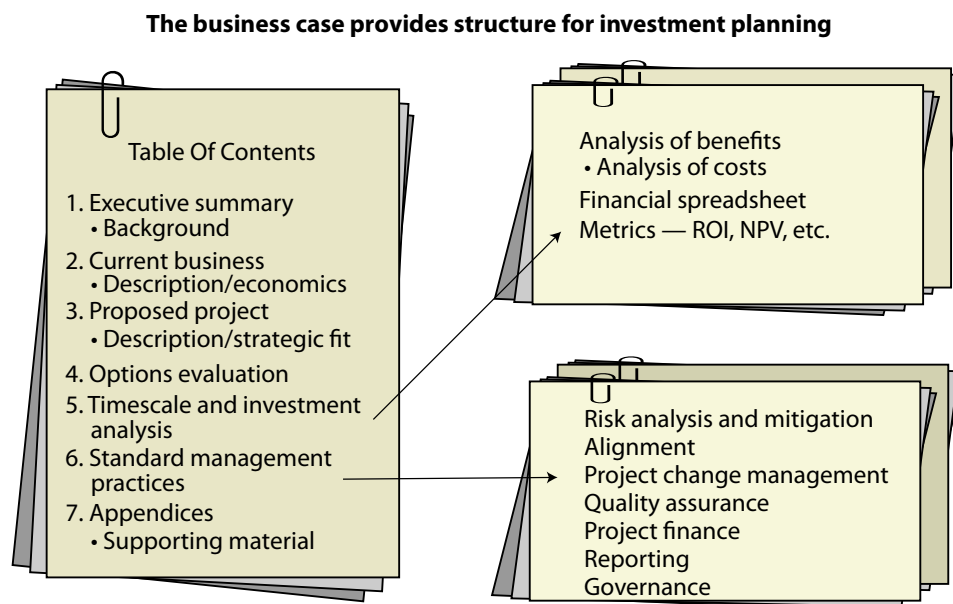
A complete business case that fulfills its purpose will include sections with titles such as (see Figure 1):

- **Executive summary.** The executive summary provides a concise summary of the key highlights of the business case, such as the opportunity or need, the relationship to strategy, and the key financials. Its tone sets the tone for the rest of the business case — and drafting the executive summary early in the development of the business case is a good test of how clear the proposal is. If the executive summary is hard to write, then the relationship of the proposal to the current situation or the benefits of the project may not be clear.
- **Current business state.** This section describes the current business situation, problem, opportunity, and history that are the subject of the business case. It should also include the context of the project, such as the business strategy.
- **Proposed project.** This section describes how the project will address the business problems and opportunities. It outlines the project objectives in measurable terms. For example, the goal of the improved efficiency of a call center can be measured by the increased call intake per hour, per customer service representative. The measurement of the degree of achievement of the project objectives forms the basis of post-implementation reviews of benefits and outcomes for assessment and remediation. As most projects are a combination of IT deliverables and business change activities, the contributions of each should be described.
- **Options evaluation.** Business cases should provide the reader with an outline of the range of possibilities that were considered to address the problem or opportunity. The evaluation provides the rationale for the elimination of options. A description should be included of the viable options that were considered — including the “doing nothing” option.
- **Timescale and investment analysis.** Business cases must deal with the economics of the investment opportunity — the cost-benefit analysis. The time-sensitive representation of ROI and NPV are derived from the financial analysis of project costs and benefits and provide information relative to the investment worthiness of the initiative. Confidence levels for estimates of benefits and costs need to take into account the fact that a project’s financial uncertainty will not be dispelled until further into the implementation of initiatives.

- **Standard management practices.** This is the heart of the business case in terms of project development execution. For example, practices such as earned value recognition, which are tied to the project timetable in the business case, enable project finance decision-making around “gating” the funding of the project. Quality assurance consists of business benefit owners’ informed sign-off on project plan milestones; the milestones are aligned to the project objectives in the business case.
- **Appendices.** Supporting information that is important to the reader provides the business case story, but it does not fit into the overall flow of the business case document — it belongs in the appendix. Examples are the implementation strategy for the project and an approval and sign-off process for signatures.

Standardizing business case templates and associated guidance — such as whether training costs are included or how to treat funding for shared infrastructure — is key for a smooth-running governance process. Consistent business cases will become familiar documents in the firm, with their own common look and feel. To reinforce standardization, the IT steering committee that is making investment decisions should drive this along with the CFO, who’ll gain a consistent template and process from the financial transparency.

Figure 1 A Business Case Template



RECOMMENDATIONS

KEEP IN MIND THE PURPOSE OF YOUR BUSINESS CASE STANDARDS

For a business case to fulfill its value, the components of a quality business case should:

- **Be flexible — to a point.** The business case should be adaptable — able to be tailored to the size, duration, value, and risk of the proposed investment. Flexibility helps different business or IT areas adopt standardization — but temper this flexibility with a sufficiently standardized format to enable comparisons across business cases.
- **Use language and cover topics that are meaningful to the business.** Initiate the individual components of the business case through the lens of a business solution rather than a technical-centric project. Business cases concerned with business capabilities and impact, rather than with an analysis of technical solutions, are more meaningful to the business community of the firm.
- **Connect to the project management methodology.** The project objectives have a greater likelihood of being met when the business case is tied to the project execution process. Many project development methodologies require a business case as part of their framework. The use of a project finance gating technique like “earned value,” which ties project funding to the achievement of milestones and deliverables, is an example of how to link the business case to the project plan.

ENDNOTES

- ¹ The business case is a document that outlines the who, what, when, why, and how of a project, as well as the financial costs and benefits. While different organizations will have different specific requirements, there are some basics that should be included in all business cases. With these elements, the business case acts as the central point of truth on a project, its costs and goals. As such, it serves as the key communications vehicle for the project and should be circulated and understood by all involved in the project — from its funding, through its development, and on to its use and benefits realization. See the March 24, 2004, “Key Elements In An IT Business Case” report.